

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

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Southern Union Company)	D.T.E. 01-__
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**PETITION FOR AUTHORIZATION TO ISSUE LONG-TERM DEBT AND
EXEMPTION FROM THE PROVISIONS OF G.L. c. 164, §§ 15 and 15A**

Southern Union Company (“Southern Union” or the “Company”) hereby petitions the Department of Telecommunications and Energy (the “Department”) for approval and authorization pursuant to G.L. c. 164, § 14, as amended, to issue debt securities (the Long-term Debt”) in an amount not to exceed \$400 million in principal. This Long-term Debt issuance is reasonably necessary for the purpose of refinancing outstanding short-term debt, which was incurred by the Company to fund expenditures for capitalizable additions, as well as the acquisition, extension and improvement of utility plant and property.

In support of Southern Union’s request, the Company states as follows:

1. Southern Union, which was incorporated under the laws of Delaware in 1932, is a Massachusetts gas company, operating pursuant to G.L. c. 164, § 1, and is subject to the provisions of G.L. c. 164, as amended.
2. On September 6, 2000, the Department approved the merger of North Attleboro Gas Company (“North Attleboro”) and Fall River Gas Company (“Fall River”) with and into Southern Union. North Attleboro-Southern Union Acquisition, D.T.E. 00-26 (2000) and Fall River-Southern Union

Acquisition, D.T.E. 00-25 (2000). In approving Southern Union's merger with North Attleboro, the Department determined that the operation of North Attleboro's gas-utility business as a division of Southern Union is "consistent with the public interest." D.T.E. 00-26, at 26. Similarly, in approving Southern Union's merger with Fall River, the Department determined that the operation of Fall River's gas-utility business as a division of Southern Union is "consistent with the public interest." D.T.E. 00-25, at 27.

3. On September 28, 2000, Southern Union completed its acquisition of both the North Attleboro and Fall River gas companies. Southern Union, as the surviving corporation, now operates North Attleboro and Fall River as part of the New England division of the Company.
4. As of December 31, 2000, the Company has outstanding short-term debt (less than one year) on its balance sheet of approximately \$704 million, which consists of: (a) a 364-day term loan, which was used to finance capitalizable additions, as well as the acquisition, extension and improvement of utility plant and property; and (b) other short-term credit facilities that are used to finance the working-capital needs of the Company. As discussed in the testimony of Cheryl Yager, Assistant Treasurer for Southern Union, which is filed herewith, the outstanding balance as of December 31, 2000 for the term loan and other short-term debt was \$529 million and \$175 million, respectively.

5. The issuance of the Long-term Debt is reasonably necessary to accomplish a legitimate purpose in meeting the Company's utility-service obligations.
6. The issuance of the Long-term Debt complies with G.L. c. 164, § 16 because following its issuance, the fair structural value of the Company's property, plant and equipment and the fair value of the gas inventories held by the company, will exceed its outstanding stock and long-term debt.
7. An exemption from the competitive bid requirements of G.L. c. 164, § 15 is in the public interest because it will result in the most beneficial debt issuance rate for the Company and its customers.
8. An exemption from the par value requirement of G.L. c. 164, § 15A is in the public interest because market conditions may make it difficult for the Company to price all of a particular issue at par value and simultaneously offer an acceptable coupon rate to prospective buyers.
9. An exemption from the requirements of G.L. c. 164, § 15A is in the public interest because it will enhance the Company's flexibility to enter the market quickly to take advantage of prevailing interest rates.

WHEREFORE, the Company respectfully requests that, after notice and hearing, the Department:

VOTE: That the issuance and sale by Southern Union Company, from time to time, of not in excess of \$400 million aggregate principal amount of Long-term Debt, is reasonably necessary for the purposes for which such issuance and sale has been authorized, pursuant to G.L. c. 164, § 14.

VOTE: That the issuance of the Long-term Debt is in accordance with G.L. c. 164, § 16 in that the fair structural value of the Company's property, plant and equipment and the fair value of the gas inventories held by the Company, will exceed its outstanding stock and long-term debt.

VOTE: That it is in the public interest that the issuance and sale of said Long-term Debt be exempt from the requirements of G.L. c. 164, §§ 15 and 15A.

ORDER: That the Department approves and authorizes the issuance and sale by Southern Union Company, in conformity with all the provisions of law relating thereto, of up to \$400 million principal amount of Long-term Debt securities.

ORDER: That Southern Union Company be exempt from all of the requirements of G.L. c. 164, §§ 15 and 15A, as amended, with respect to the issuance and sale of said Long-term Debt securities; provided that if any of said Long-term Debt are issued and sold at less than par value or face amount, the discount shall be amortized over the stated term of the Long-term Debt.

ORDER: Such other and further orders and approvals as may be necessary or appropriate.

Respectfully submitted,

SOUTHERN UNION COMPANY

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